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Supreme Court of the United States

OCTOBER TERM, 1944

No. 302

ALLEN J. PATCH,
Petitioner and Appellee Below,

vs.

SOLAR CORPORATION,
Respondent and Appellant Below.

PETITION FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF

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Supreme Court of the United States

OCTOBER TERM, 1944

No. .....

ALLEN J. PATCH,
Petitioner and Appellee Below,

vs.

SOLAR CORPORATION,
Respondent and Appellant Below.

PETITION OF ALLEN J. PATCH FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

TO THE HONORABLE HARLAN FISK STONE, CHIEF JUSTICE OF THE UNITED STATES, AND THE ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Your Petitioner respectfully shows:

I.

SUMMARY AND SHORT STATEMENT OF THE MATTER INVOLVED

This action was brought by the Petitioner, Allen J. Patch, by filing his Bill of Complaint on July 31, 1943, in the District Court of the United States for the Eastern District of Wisconsin, under Section 274 (d) of the Judicial Code, as amended (28 U. S. C. A., Section 400),

to secure a declaratory judgment that the exclusive clause of a general license given respondent's assignor for the manufacture and sale of a device patented by Petitioner, had been terminated pursuant to the terms of the license agreement because of failure to pay the minimum royalty required thereby, and to procure an injunction restraining the defendant from thereafter claiming to be the holder of such an exclusive license, and to restrain it from selling under such exclusive license (R. p. 2).

The District Court (Judge F. Ryan Duffy) held that the Plaintiff was entitled to the relief prayed for and entered its injunction and restraining order as prayed for (R. p. 44).

The Circuit Court of Appeals for the Seventh Circuit (Opinion by Judge Minton), reversed the District Court and directed it to enter judgment sustaining the motion of the Defendant for judgment on its counterclaim and to decree that the exclusive feature of the license agreement was in the defendant, subject only to the continued payment of royalties after restrictions on the manufacture of laundry equipment were lifted sufficiently to permit the renewal of its manufacture, and to enjoin the Petitioner from selling, leasing, conveying or offering to sell any right or interest to others under the patent which might in any way conflict with the enjoyment by the Defendant of its exclusive license (R. p. 62).

The Petitioner, an inventor, and a resident and citizen of the State of Wisconsin, holds United States Patent No. 1,964,440, issued June 26, 1934, which patent covers what is known as a "link" power transmission, which is used in the manufacture of washing machines (R. pp. 5, 41). On June 19, 1937, he entered into a written agree-

ment[1] with Beam Manufacturing Company (hereafter for brevity termed "Beam"), granting Beam a general license to manufacture and sell machines employing this device generally throughout the world, and in the same agreement granted Beam an "exclusive license" for manufacture and sale of said transmissions "to chain stores, mail order and rubber tire companies" (R. p. 5).[1]

The action here involves only this exclusive license created by the agreement. The agreement[1] provides, among other things, that should Beam not pay during any calendar year commencing on or after January 1, 1941, a total royalty of $5,000.00 to him, then the Petitioner-Licensor, would have the right to cancel the exclusive feature of the license (R. p. 6).

The agreement is to extend for the life of the patent, unless terminated. The licensee, Beam, and its assignee, Solar Corporation, has the right to terminate the exclusive feature of the license on a sixty days' written notice (R. p. 6). The license agreement was executed in the State of Iowa by both parties on June 19, 1937. At that time the Petitioner was engaged with Barlow and Seelig Company in certain litigation in the State of Wisconsin, involving title to the patent. In that litigation, Beam advanced some $3,000.00 as expenses for the purpose of conducting such litigation (R. p. 31). This was later repaid out of royalty checks due to the licensor (R. p. 31), and the litigation terminated in licensor's favor by the Supreme Court of the State of Wisconsin.[2]

In 1938 Beam began to manufacture and sell the machines using the patented device, generally to the trade (R. p. 31), and continued to do so until May 15,

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[1]See Appendix, p. 28, for copy of license agreement.

[2]Barlow & Seelig Mfg. Co. v. Patch, 232 Wis. 220, 286 N. W. 577.

1942, which was the effective date of Limitation Order L, issued by the War Production Board[3] (R. p. 34). This order bears the erroneous date March 12, 1943, but was actually issued March 12, 1942 (R. p. 32). This order prohibited after the 15th day of May, 1942, the manufacture of washing machines in the United States, with certain exceptions, not herein material (R. p. 43). Between January 1, 1942, and May 15, 1942, Beam manufactured 19,510 machines, according to its own account, and it paid Petitioner $3,902.40 as royalty at the rate of 20c per machine as called for by the exclusive feature of the license (R. p. 43). Nothing was paid after that date until October, 1944, when certain machines, which are not considered here material, were made for the Marine Corps of the United States Navy by Solar Corporation, the respondent, as these machines were manufactured after the entry of the judgment in the District Court of the Eastern District of Wisconsin.

Because of its failure to pay the full sum of $5,000.00 called for by the exclusive feature of the license agreement during the calendar year 1942, Petitioner on March 29, 1943, served upon Beam, under the terms of the license agreement, and in compliance with it, a notice of intention to terminate the exclusive feature of the license agreement upon the ground and for the reason that Beam had not paid in the calendar year 1942 the sum of $5,000.00 called for by the agreement (R. p. 43). Beam wrote Petitioner stating that it refused to accept the notice of cancellation and that any attempt by Petitioner to grant any other license would be regarded as a breach of the contract, and that such licensee would be regarded by it as an infringer of Beam's exclusive rights. It did not pay or offer to pay the difference in the mini-

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[3]See Appendix, page 34.

mum royalty of $5,000.00 due under the contract for the calendar year 1942, and the sum of $3,902.40 paid up to May 15, 1942 (R. pp. 19, 20). During the year 1943, prior to the commencement of this action, Beam assigned all its rights in the license agreement to the respondent, Solar Corporation, which became entitled to all the rights and subject to all the obligations of the agreement (R. pp. 2, 3, 10, 42).

On June 21, 1943, Petitioner entered into an agreement with the Zenith Machine Company, a corporation in Duluth, Minnesota, granting it a non-exclusive license to make and sell the "link" transmissions under the patent (R. p. 26).

The decision of the District Court of the Eastern District of Wisconsin, in favor of Petitioner, was filed on August 14, 1944, and the Court made and filed its Findings of Fact on September 18, 1944 (R. p. 41). Notice of Appeal was filed by the Respondent on December 18, 1944, appealing the case to the Circuit Court of Appeals for the Seventh Circuit, and its opinion and judgment was filed on May 29, 1945 (R. pp. 56 and 62). The Petitioner then made a Petition for Rehearing and this Petition was denied by the Circuit Court of Appeals on June 22, 1945 (R. pp. 62, 63).

II.

JURISDICTION

(1) This is a suit under the Federal Declaratory Judgments Act, Judicial Code, Section 247 (d), as amended (28 U. S. C. A., § 400).

(2) The date of the decree to be reviewed is May 29, 1945 (R. p. 62). The Petition for Rehearing was timely filed and denied on June 22, 1945 (R. p. 63).

(3) The statutory provision which is believed to sustain the jurisdiction of this Court is Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. A., § 347).

(4) This is an action brought under the Federal Declaratory Judgments Act by a citizen of Wisconsin, against a corporation domiciled in the State of Delaware, and to determine their respective rights under a license for the use of a patent. The District Court of the Eastern District of Wisconsin granted Petitioner the relief prayed for (R. p. 44). The Circuit Court of Appeals, for the Seventh Circuit, reversed and ordered judgment for the Respondent as prayed for by it (R. p. 62).

(5) The cases believed to sustain said jurisdiction are as follows:

Altvater v. Freeman, 319 U. S. 359;

Aetna Life Insurance Company v. Haworth, 300 U. S. 227.

III.

QUESTIONS PRESENTED

(1) Whether the order of the War Production Board limiting the manufacture and sale of laundry equipment, using a patented device, brought about a temporary frustration of the exclusive license.

(2) Whether the order of the War Production Board limiting the manufacture and sale of washing machines, brought about a temporary failure of consideration for the Respondent's promise to pay to Petitioner $5,000.00 minimum royalty annually.

(3) Whether the effect of the application of the doctrine of failure of consideration or commercial frustration is to terminate the agreement or merely suspend it

during the period the limitations of the War Production Board order are in effect.

(4) Whether the minimum yearly consideration, payable by the Respondent to the Petitioner, for the retention of the exclusive feature of the license was divisible so as to permit Respondent to retain such exclusive license, without payment of the full consideration therefor.

IV.

REASONS RELIED UPON FOR THE ALLOWANCE OF THE WRIT

(1) That the Circuit Court of Appeals, for the Seventh Circuit, has decided a question of general importance contrary to the decisions of this Court, and to the weight of authority in holding that the application of the doctrine of frustration suspended the performance of the contract and cancelled the right of licensor to terminate the exclusive license upon failure of licensee to pay the minimum royalty, and in holding that the suspension created only a temporary impossibility of performance contrary to the decisions of this Court, in the cases of: The Kronprinzessin Cecile, 244 U. S. 12; Texas v. Hogarth Shipping Company, 256 U. S. 619; The Styria v. Morgan, 186 U. S. 1, and to the general rule applied in other jurisdictions, Thompson v. Thompson, 315 Illinois 521, 146 N. E. 45; Metropolitan Water Board v. Dick Kerr, etc., 2 K. B. 1, affirmed 1918, A. C. 119.

Fibrosa Spolka Akeyjna v. Fairbairn L. C. Barbour, Limited, 167 L. T. N. S. 101, 144 A. L. R. 1298 (H. of L.); Berg v. Erickson (C. C. A. 8), 234 Fed. 617; Edward Maurer Company, Inc., v. Tubeless Tire Company (D. C. Ohio), 272 Fed. 990, affirmed (C. C. A. 6), 285 Fed. 713; Otto v. Orange Screen Co. (D.C.D. N.J.), 57 Fed. S. 134;

Ohio Citizens Trust Company v. Airway Electric Appliance Corporation (D. C. Ohio), 56 Fed. S. 1010.

(2) The Circuit Court of Appeals, for the Seventh Circuit, in holding that the exclusive license in the case at bar was suspended and the right of cancellation frustrated by the Limitation Order of the War Production Board has decided an important question of Federal Law, which has not been but should be settled by this Court because a different principle has been applied in the cases of Berg v. Erickson (C. C. A. 8th), 234 Fed. 817; Maurer v. Tubeless Tire Company (C. C. A. 4th), 285 Fed. 713; Otto v. Orange Screen Co. (D.C.D. N.J.), 57 Fed. S. 134; Ohio Citizens Trust Company v. Airway Electric Appliance Corporation (D. C. Ohio), 56 Fed. S. 1010, and in a way probably in conflict with the principles announced in the decisions of this Court in the cases of Allanwilde Transport Co. v. Vacuum Oil Co., 248 U. S. 377; The Styria v. Morgan, 186 U. S. 1; New York Life Ins. Co. v. Statham, 93 U. S. 24; Texas Co. v. Hogarth Shipping Co., 256 U. S. 619; Columbus Railway & Power Company v. Columbus, 249 U. S. 399.

(3) That the Circuit Court of Appeals for the Seventh Circuit, has decided an important question of local law in a way probably in conflict with the applicable local decisions. Wernli v. Collins, 87 Iowa 548, 54 N. W. 365; District Township of Union v. Smith, 39 Iowa 9, 18 Am. Rep. 39; Mahaska County State Bank v. Brown, 159 Iowa 577, 121 N. W. 459; Rhea v. Adder Machine Co., 189 Iowa 1085, 178 N. W. 359; Salinger v. General Exchange Ins. Corp., 217 Iowa 560, 250 N. W. 13.

Wherefore, Your Petitioner prays that the writ of Certiorari issue under the Seal of this Court, directed to the United States Circuit Court of Appeals, for the Seventh Circuit, demanding said Court to certify and

send to this Court on a date to be designated, the full and complete transcript of the record, and of the proceedings of said Circuit Court of Appeals, for the Seventh Circuit, had in the case, numbered and entitled on its docket No. 8754, Allen J. Patch, Plaintiff-Appellee, vs. Solar Corporation, Defendant-Appellant, to the end that this cause may be reviewed and determined by this Court, as provided by the Statutes of the United States, and that the judgment herein of said Circuit Court of Appeals of the Seventh Circuit be reversed by this Court, and for such other and further relief as may be proper.

Dated July 27th, 1945.

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